

# **PUBLIC HEARING**

**ON**

## **Bill 19-164 “Schedule H Property Tax Relief Act of 2011”**

**Before the  
Committee on Finance and Revenue**

**The Honorable Jack Evans, Chairman**

**November 16, 2011, 11:00 AM  
John A. Wilson Building, Room 412**



**Testimony of  
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Office of Tax and Revenue**

**Natwar M. Gandhi  
Chief Financial Officer  
Government of the District of Columbia**

Good morning Chairman Evans and members of the Committee on Finance and Revenue. I am Bazil Facchina, Assistant General Counsel for the Office of Tax and Revenue. I am pleased to present testimony on Bill 19-164, the “Schedule H Property Tax Relief Act of 2011.”

In general, the Bill would amend the existing homeowner and rental property income tax credit in a number of ways. Currently, the maximum allowable credit is capped at \$750, and the Bill would increase this limit to \$1,000. The current household gross income ceiling is \$20,000, and the Bill would increase this ceiling to \$50,000. The Bill would also increase from 15 to 20 the percentage of rent deemed attributable to real property taxes for purposes of the credit. The bill would substitute a 2-bracket computation of the credit for the existing 6-bracket system and would eliminate the separate schedule for elderly, blind or disabled claimants. The Bill would also take into account only the gross income of the claimant, the claimant’s spouse or domestic partner and dependents in determining eligibility for the credit, rather than counting income of all members of the household, as is presently the case. The Bill would also index the maximum credit amount and maximum income threshold for inflation.

The Office of the Chief Financial Officer wishes to commend the Council for its efforts to simplify administration of this credit, both for the Office of Tax and Revenue and for taxpayers. We would, however, propose certain technical changes to the amendments that would facilitate administration of the credit. For instance, the Bill should provide that its amendments will apply for tax years beginning after 2011. Furthermore, the indexing provision should be modeled on indexing provisions used elsewhere in the District's income tax laws.

It should be noted that the bill as presently drafted appears to allow each tax filing unit in a household to claim a separate \$1,000 credit, rather than allowing only one such amount per household. This expansion of eligibility would increase the revenue cost of the bill over current levels. In addition to the amendments proposed in the Bill, we wish to note that certain additional technical amendments appear to be needed to update some of this law's references to other statutes and provisions of the District's tax code. It appears that this statute has not been substantially revised since the late 1970's, and a number of conforming changes are required so that the statute references the appropriate provision of the current law. For instance, the rental supplement payment program under title III of the Rental Housing Act of 1977 (D.C. Law 2-54) appears to have expired and been replaced by the tenant assistance payment program under the Rental Housing Act

of 1985 (D.C. Law 6-10). Various other provisions of title 47 referenced in this section have also been repealed. Suggested language implementing these suggestions is attached to my testimony.

Thank you, Chairman Evans, for the opportunity to comment on this Bill. I would be happy to answer any questions at this time.

## Attachment

On page 2, line 1, insert after “\$1,000” the phrase “(adjusted as provided in subsection (r))”.

On page 2, line 2, insert new subparagraph (C) to read as follows:

“(C) Strike the phrase “rental supplement” and insert “tenant assistance” in its place; strike “1977” and insert “1985” in its place.”

On page 2, line 15, strike the phrase “(20% or rent)” and substitute (“20% of rent”) in its place.

On page 2, line 13, insert after “\$50,000” the phrase “(adjusted as provided in subsection (r))”.

On page 2, line 16, move the text beginning “(b) Subsection (b) is amended . . . .” to precede the paragraph numbered “(2)” in line 19.

On page 2, line 17, renumber paragraph (1) as paragraph (3).

On page 2, line 18, insert new paragraph (4) to read as follows:

“(4) Paragraph (4) is amended by striking the phrase “rental supplements” and replacing it with the phrase “tenant assistance” and by striking “1977” and inserting “1985” in its place.”

On page 2, line 19, insert new paragraph (1) to read as follows:

“Paragraph (2) is amended by striking the phrase “subsection (c) of § 47-1803.02” and replacing it with the phrase “subsection (b) of § 47-1803.02”.”

On page 3, line 2, insert new paragraph (5) to read as follows:

“(5) Paragraph (8)(A)(i) is amended by striking the phrase “Rental supplements” and replacing it with the phrase “Tenant assistance” and by striking “1977” and inserting “1985” in its place.”

On page 3, line 5, insert a comma after the word “District”.

On page 3, line 11, substitute “(d)” for “(c)”.

On page 3, lines 12-17, strike the existing text of “(r)” and replace it with the following:

“(r) For tax years beginning after December 31, 2013, to determine the maximum credit amount and the eligibility income threshold applicable for a tax year, the dollar amounts of \$1,000 and \$50,000, respectively, shall be multiplied by the percentage that the Consumer Price Index for the preceding calendar year exceeds the Consumer Price Index for the calendar year beginning January 1, 2012. For the purposes of this paragraph, the Consumer Price Index for any calendar year is the average of the Consumer Price Index for the Washington-Baltimore Metropolitan Statistical Area for all-urban consumers published by the Department of Labor, or any successor index, as of the close of the 12-month period ending on July 31 of such calendar year. If the adjustment does not result in a multiple of \$50, the amount shall be rounded to the next lowest multiple of \$50.”

On page 3, line 8, insert the phrase “, domestic partner” after the word “individual”.

On page 3, insert after subsection (d) new subsections (e), (f) and (g) to read as follows:

“(e) Subsection (f) is amended by striking the phrase “is filed pursuant to §§ 20-2101 and 20-2102”.

“(f) Paragraph (m)(2) is amended by striking “§ 47-412” and substituting in its place “chapter 44 of title 47”.

“(g) The amendments made by this section shall apply to tax years beginning after December 31, 2011.”